

### MOVING DOT TOWARD A CLEAN AUDIT OPINION

<u>ISSUE</u>	<u>SOLUTION</u>	<u>COMMENTS</u>
<i>General:</i>		
<ul style="list-style-type: none"> <li>DAFIS is not the primary source for preparing the financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>Develop, test, and implement a new financial statement utility to assist in the preparation of financial statements.</li> <li>Migrate DOT to an integrated financial management system which is substantially compliant with Federal core financial systems requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Phase 1 of the new DAFIS Financial Statement Module was completed in June 1999. Phase 2 will implement various statements between Jul and Sep 99.</li> <li>Delphi, the replacement for DAFIS, will implement a federally compliant set of COTS applications. It will be piloted beginning in Feb 2000.</li> </ul>
<ul style="list-style-type: none"> <li>DAFIS does not provide sufficient time to review and correct financial records prior to preparing financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>See above.</li> </ul>	<ul style="list-style-type: none"> <li>Delphi will support dual period processing allowing sufficient time to review and correct financial records.</li> </ul>
<ul style="list-style-type: none"> <li>DAFIS data integrity.</li> </ul>	<ul style="list-style-type: none"> <li>All DAFIS users and systems have security Ids and passwords recertified.</li> </ul>	<ul style="list-style-type: none"> <li>Completed.</li> </ul>
<ul style="list-style-type: none"> <li>Incomplete compliance with OMB Bulletin and technical amendments in preparation of financial statements.</li> </ul>	<ul style="list-style-type: none"> <li>FY99 guidance and formats are updated to comply with Tech Amends to 97-01.</li> </ul>	<ul style="list-style-type: none"> <li>Completed.</li> </ul>
<ul style="list-style-type: none"> <li>DAFIS does not perform cost accounting.</li> </ul>	<ul style="list-style-type: none"> <li>Implement cost accounting in DOT</li> <li>Fully cost DOT programs</li> <li>Link program costs to performance measures</li> </ul>	<ul style="list-style-type: none"> <li>Delphi has built in cost accounting features.</li> <li>FAA developing cost accounting system.</li> </ul>
<i>Management Discussion &amp; Analysis:</i>		
<ul style="list-style-type: none"> <li>Performance measures do not tie to Statement of Net Cost</li> <li>Insufficient coverage of Y2K</li> </ul>	<ul style="list-style-type: none"> <li>Matrix of programs and measures that links to and is useable with Fin. Stmts.</li> <li>Include actual results of Y2K implementation</li> </ul>	
<ul style="list-style-type: none"> <li>Performance data is not timely.</li> </ul>	<ul style="list-style-type: none"> <li>Performance Report with extensive use of trend vs annual data.</li> </ul>	
<i>Balance Sheet:</i>		
<ul style="list-style-type: none"> <li>Property/inventory values unsubstantiated</li> </ul>	<ul style="list-style-type: none"> <li>FAA substantiated all regions property records and valuations, per OIG. Yearend audits remain for active WIP. Property processes, systems being improved.</li> <li>CG substantiating property records and values and will meet target, per OIG. Changes made in inventory value method.</li> </ul>	
<ul style="list-style-type: none"> <li>Accounting for contingencies.</li> </ul>	<ul style="list-style-type: none"> <li>OAs adopt approach for estimating liabilities.</li> <li>OAs prepare data for OIG review.</li> </ul>	

## Appendix B (continued)

<u>ISSUE</u>	<u>SOLUTION</u>	<u>COMMENTS</u>
<i>Statement of Net Cost:</i>		
<ul style="list-style-type: none"> <li>Overhead costs not allocated among programs.</li> <li>Omission of earned revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Statement reflects all operating costs allocated among programs rather than separate line item.</li> <li>Statement that captures all revenue.</li> </ul>	<ul style="list-style-type: none"> <li>Financial statement guidance will address this issue; exploring cost allocation options.</li> <li>Pending development of statement.</li> </ul>
<i>Statement of Changes in Net Position:</i>		
<ul style="list-style-type: none"> <li>Current year (CY) beginning balances and prior year (PY) ending balances do not agree.</li> <li>Note disclosure for material Prior Period Adjustments.</li> </ul>	<ul style="list-style-type: none"> <li>Develop supporting documentation for balances.</li> <li>Provide notes containing material amounts for prior period adjustments</li> </ul>	<ul style="list-style-type: none"> <li>Pending development of statements.</li> </ul>
<i>Statement of Financing:</i>		
<ul style="list-style-type: none"> <li>DOT's Statement of Financing contained material reconciling and unexplained differences.</li> <li>Tax revenues not fully supported.</li> </ul>	<ul style="list-style-type: none"> <li>Improved guidance from OMB/Treasury on preparation, presentation of this Statement.</li> <li>Revised statement using new guidance and prior year data.</li> <li>If feasible and cost effective, revisions to DAFIS accounting process.</li> <li>DOT reconciles tax revenues from Treasury and are fully supported.</li> </ul>	
<i>Statement of Budgetary Resources:</i>		
<ul style="list-style-type: none"> <li>Numerous Inactive/Aged Obligations at year end.</li> <li>Non agreement of CY beginning and PY ending of Obligated and Unobligated balances.</li> <li>Inconsistent reporting with SF 133, Report on Budget Execution.</li> </ul>	<ul style="list-style-type: none"> <li>Certified obligation balances.</li> <li>Documentation of verified balances, where possible; agreement with OIG on balances.</li> <li>Reconciliation of data with SF 133.</li> </ul>	<ul style="list-style-type: none"> <li>OIG currently reviewing OA certifications of Inactive/Aged obligations.</li> <li>FAA prepared and OIG is analyzing worksheets for supporting balances.</li> </ul>
<i>Note Disclosures:</i>		
<ul style="list-style-type: none"> <li>Inconsistent information/data in Notes and Financial Statements.</li> </ul>	<ul style="list-style-type: none"> <li>Financial statements and Notes data/information consistent.</li> </ul>	<ul style="list-style-type: none"> <li>Review after statements prepared/consolidated.</li> </ul>
<i>Required Supplementary Stewardship Information:</i>		
<ul style="list-style-type: none"> <li>Consistent Stewardship Investment information</li> <li>Investments in Human Capital: incomplete ID/recognition</li> <li>Deferred Maintenance.</li> </ul>	<ul style="list-style-type: none"> <li>Instructions to OAs on basis used.</li> <li>Complete list/value of such programs.</li> <li>Listing; probable value of major assets.</li> </ul>	<ul style="list-style-type: none"> <li>Waiting distribution from OMB.</li> </ul>